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Message Text

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PAGE 01 KABUL 05969 01 OF 02 241106Z
ACTION NEA-10

INFO OCT-01 EA-10 ISO-00 TRSE-00 EB-08 COME-00 AID-05
SP-02 CIAE-00 INR-10 NSAE-00 /046 W
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R 240655Z JUL 78
FM AMEMBASSY KABUL
TO SECSTATE WASHDC 9211
INFO AMEMBASSY BANGKOK
AMEMBASSY CANBERRA
AMEMBASSY COLOMBO
AMEMBASSY DACCA
AMEMBASSY ISLAMABAD
AMEMBASSY KATHMANDU
AMEMBASSY KUALA LUMPUR
AMEMBASSY MANILA
AMEMBASSY NEW DELHI
AMEMBASSY PORT MORESBY
AMEMBASSY RANGOON
AMEMBASSY SEOUL
AMEMBASSY SINGAPORE
AMEMBASSY SUVA
AMEMBASSY TAIPEI
AMEMBASSY TOKYO
AMEMBASSY VIENTIANE
AMEMBASSY WELLINGTON

LIMITED OFFICIAL USE SECTION 1 OF 2 KABUL 5969

MANILA ALSO FOR USADB

E.O. 11652: NA
TAGS: EGEN, ETRD, BEXP, AF
SUBJECT: US PROCUREMENT FROM ASIAN DEVELOPMENT BANK

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PAGE 02 KABUL 05969 01 OF 02 241106Z

1. SUMMARY. THE COMMERCIAL OPPORTUNITES OFFERED TO US FIRMS BY
ADB PROJECTS HAVE BEEN LIMITED DUE TO SLOW IMPLEMENTATION OF PROJECTS
.
THREE FACTORS AFFECTING THE LACK OF SUCCESS OF US FIRMS HAVE BEEN
(1) COMPETITION WITH LOCAL CONSTRUCTION FIRMS; (2) DISINTEREST OF
US FIRMS; AND (3) IRREGULAR TENDERING AND BIDDING PROCEDURES. AN

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

ADB RESIDENT REPRESENTATIVE IN KABUL COULD BE OF ASSISTANCE. END SUMMARY.

2. THE COMMERCIAL OPPORTUNITIES OFFERED TO US FIRMS BY ASIAN DEVELOPMENT BANK PROJECTS IN AFGHANISTAN HAVE NOT BEEN GREAT DUE IN PART TO THE SLOW IMPLEMENTATION OF ADB PROJECTS. SINCE 1970, THE ADB HAS SIGNED SEVEN LOAN AGREEMENTS FOR OVER $73 MILLION WITH AFGHANISTAN, BUT ONLY ABOUT $8 MILLION HAS BEEN DISBURSED. SEVERAL ADB PROJECTS ARE YEARS BEHIND SCHEDULE. FOR EXAMPLE, A 1973 LOAN FOR A HIGHWAY HAS NOT BEEN DRAWN UPON EXEPT FOR SOME DESIGN WORK, AND A CONTRACT UNDER A 1974 LOAN FOR THE CONSTRUCTION OF RESERVOIR GATES WAS ONLY RECENTLY SIGNED.

3. THIS BEING SAID, THE US SHARE OF THE CONTRACTS LET HAS BEEN SMALL. US FIRMS HAVE NOT BEEN AWARDED ANY MAJOR CONTRACTS FOR ADB PROJECTS AND ONLY OCCASIONAL ITEMS OF US EQUIPMENT HAVE BEEN PROCURED .
US CONSULTING FIRMS HAVE BEEN SOMEWHAT MORE SUCCESSFUL, THOUGH STILL LESS THAN AVERAGE COMPARED WITH STATISTICS CITED REFTEL. THE PRINCIPAL REASONS FOR THE LACK OF SUCCESS OF US FIRMS ARE COMPETITION WITH LOCAL CONSTRUCTION FIRMS, DISINTEREST OF US FIRMS AND ADB'S SOMETIMES IRREGULAR TENDERING AND BIDDING PROCEDURES.

4. AMERICAN FRIMS BIDDING AGAINST AN AFGHAN CONSTRUCTION FIRM HAVE FOUND THEIR PRICE BIDS TO BE SUBSTANTIALLY HIGHER. FOR EXAMPLE, IN ONE IBRD PROJECT THE AMERICAN FIRM BID ABOUT $45 MILLION AND THE LIMITED OFFICIAL USE

AFGHAN FIRM ABOUT $17 MILLION. THIS LATTER CONSTRUCTION COMPANY, GOVERNMENT-OWNED, WILL UNDERTAKE THE MAJOR CONSTRUCTION ACTIVITY IN TWO ADB PROJECTS. THE AFGHAN FIRM'S TRACK RECORD IS UNPROVEN AS IT HAS NOT YET COMPLETED ANY OF THE PROJECTS, AND AMERICAN COMPANIES HAVE ALLEGED THAT THE AFGHAN FIRM'S BIDS HAVE BEEN UNREALISTICALLY LOW FOR THE COMPLETION OF THE CONTRACTED WORK IN THE TIME FRAME ALLOCATED.

5. AMERICAN FIRMS IN SOME CASES HAVE CHOSEN NOT TO BID ON ADB PROJECTS IN AFGHANISTAN. FOR EXAMPLE, FOUR AMERICAN CONTRUCTION FIRMS WERE PRE-QUALIFIED TO BID ON ONE PROJECT, BUT NONE ACTUALLY SUBMITTED A BID. WE AGREE WITH EMBASSY KATHMANDU (KATHMANDU 3569) THAT MANY ADB PROJECTS ARE APPARENTLY TOO SMALL TO ENCOURAGE AN AMERICAN COMPANY TO OPERATE IN WHAT FOR MOST IS AN UNFAMILIAR ENVIRONMENT. THE FACT THAT NO AMERICAN CONSTRUCTION COMPANIES ARE PRESENTLY REPRESENTED IN AFGHANISTAN ACCENTUATES HIS PROBLEM.

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

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PAGE 01 KABUL 05969 02 OF 02 241117Z
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LIMITED OFFICIAL USE SECTION 2 OF 2 KABUL 5969

MANILA FLSO FOR USADB

6. RARELY DOES THE COURSE OF ANY PROJECT IN AFGHANISTAN RUN SMOOTHLY. DELAYS, CONFUSION, AND OVERLY-SHORT DEALINES ARE ENDEMIC IN IMPLEMENTING ALL PROJECTS FROM WHATEVER DONOR. FURTHER-MORE, AMERICAN FIRMS HAVE HAD DISPUTES WITH THE AFGHAN GOVERNMENT CONCERNING PAYMENT FOR WORK ACCOMPLISHED AND THIS HAS NOT CON-
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PAGE 02 KABUL 05969 02 OF 02 241117Z

TRIBUTED TO AN AN ATTRACTIVE WORKING ENVIRONMENT. ADB PROJECTS HAVE SUFFERED FROM THESE CONDITIONS AND IN ADDITION, IN AT LEAST ONE CASE HERE, AN AMERICAN CONSULTING FIRM FELT THAT ADB BIDDING PROCED-URES WERE SO IRREGULAR THAT IT COMPLAINED TO ADB HEADQUARTERS. STRICTER CONTROL OF BIDDING AND TENDERING BY ADB WOULD BE HELPFUL.

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

7. WE SEE NO READY PANACEA FOR THESE PROBLEMS. EARLY REPORTING
FROM USADB MANILA ON NEW PROJECTS AND COMMERCIAL OPPORTUNITIES WOULD
BE MODERATELY HELPFUL, ALTHOUGH WE FEEL THAT WE KEEP REASONABLY
CURRENT ON THE STATUS OF ADB PROJECTS THROUGH THE REGULAR PUBLI-
CATIONS OF THE BANK. STIMULATING US BUSINESS AND MAKING IT AWARE
OF OPPORTUNITES WITH ADB WOULD BE USEFUL, ALTHOUGH MANY MEDIUM AND
SMALL AMERICAN FIRMS WOULD BE UNWILLING TO TAKE THE EXPOSURE AND
RISK OF OPERATING IN AN UNCERTAIN ENVIRONMENT LIKE AFGHANISTAN.
ENCOURAGING US TRADING COMPANIES MIGHT BE HIGHLY EFFECTIVE IN SOME
COUNTRIES BUT PROBABLY WOULD NOT, BECAUSE OF AFGHAN GOVERNMENT
POLICY, BE APPLICABLE IN AFGHANISTAN.

8. A POSTIVE STEP FORWARD FOR ADB WOULD BE THE ASSIGNMENT OF
A RESIDENT REPRESENTATIVE IN KABUL. THIS WOULD PAY DIVIDENS IN
IMPROVING PROJECT IMPLEMENTATION AS WELL AS HELPING CREATE THE
CONDITIONS IN WHICH US FIRMS WOULD BE MORE LIKELY TO COMPETE FOR
ADB PROJECTS. THE IBRD HAS A REPRESENTATIVE IN AFGHANISTAN AND
HIS PRESENCE IS HIGHLY USEFUL IN DEALING WITH DAY-TO-DAY PROBLEMS
OF PROJECT IMPLEMENTATION.
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